

107TH CONGRESS  
1ST SESSION

# S. 779

To amend the Internal Revenue Code of 1986 to treat certain hospital support organizations as qualified organizations for purposes of section 514(c)(9).

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IN THE SENATE OF THE UNITED STATES

APRIL 26, 2001

Mr. INOUE introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to treat certain hospital support organizations as qualified organizations for purposes of section 514(c)(9).

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TREATMENT OF CERTAIN HOSPITAL SUPPORT**  
4 **ORGANIZATIONS AS QUALIFIED ORGANIZA-**  
5 **TIONS FOR PURPOSES OF DETERMINING AC-**  
6 **QUISITION INDEBTEDNESS.**

7 (a) IN GENERAL.—Subparagraph (C) of section  
8 514(c)(9) of the Internal Revenue Code of 1986 (relating  
9 to real property acquired by a qualified organization) is

1 amended by striking “or” at the end of clause (ii), by  
 2 striking the period at the end of clause (iii) and inserting  
 3 “; or”, and by adding at the end the following new clause:

4 “(iv) a qualified hospital support  
 5 organization (as defined in subpara-  
 6 graph (I)).”.

7 (b) QUALIFIED HOSPITAL SUPPORT ORGANIZA-  
 8 TIONS.—Paragraph (9) of section 514(c) of the Internal  
 9 Revenue Code of 1986 is amended by adding at the end  
 10 the following new subparagraph:

11 “(I) QUALIFIED HOSPITAL SUPPORT ORGA-  
 12 NIZATIONS.—For purposes of subparagraph  
 13 (C)(iv), the term ‘qualified hospital support or-  
 14 ganization’ means, with respect to any eligible  
 15 indebtedness (including any qualified refi-  
 16 nancing of such eligible indebtedness), a sup-  
 17 port organization (as defined in section  
 18 509(a)(3)) which supports a hospital described  
 19 in section 119(d)(4)(B) and with respect to  
 20 which—

21 “(i) more than half of its assets  
 22 (by value) at any time since its  
 23 organization—

1 “(I) were acquired, directly  
2 or indirectly, by gift or devise,  
3 and

4 “(II) consisted of real prop-  
5 erty, and

6 “(ii) the fair market value of the  
7 organization’s real estate acquired, di-  
8 rectly or indirectly, by gift or devise,  
9 exceeded 10 percent of the fair mar-  
10 ket value of all investment assets held  
11 by the organization immediately prior  
12 to the time that the eligible indebted-  
13 ness was incurred.

14 For purposes of this subparagraph, the term  
15 ‘eligible indebtedness’ means indebtedness se-  
16 cured by real property acquired by the organi-  
17 zation, directly or indirectly, by gift or devise,  
18 the proceeds of which are used exclusively to ac-  
19 quire any leasehold interest in such real prop-  
20 erty or for improvements on, or repairs to, such  
21 real property. A determination under clauses (i)  
22 and (ii) of this subparagraph shall be made  
23 each time such an eligible indebtedness (or the  
24 qualified refinancing of such an eligible indebt-  
25 edness) is incurred. For purposes of this sub-

1 paragraph, a refinancing of such an eligible in-  
2 debtedness shall be considered qualified if such  
3 refinancing does not exceed the amount of the  
4 refinanced eligible indebtedness immediately be-  
5 fore the refinancing.”.

6 (c) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to indebtedness incurred on or  
8 after the date of the enactment of this Act.

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